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# **The VA Budget Proposed by President Bush Would Deny Health Care to Thousands of Veterans in the Denver Area**

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**PREPARED FOR REP. DIANA DEGETTE**



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## EXECUTIVE SUMMARY

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On February 4, 2004, President Bush released his proposed budget for the Department of Veterans Affairs. The budget provides \$30.2 billion for veterans care, which is \$1.2 billion less than the Secretary of Veterans Affairs has said is necessary to pay for adequate care. To compensate for the inadequate funding, the budget proposes reductions in care for millions of veterans. The budget proposes denying hundreds of thousands of veterans access to any VA care, charging over two million veterans who are currently in the VA system a \$250 annual enrollment fee, and more than doubling copayments for prescription drugs.

At the request of Rep. Diana DeGette, who represents Colorado's 1st Congressional District, this report analyzes the impact of these cutbacks on veterans in the Denver area. The report finds that the proposed changes would cause an estimated 14,900 Colorado veterans, including an estimated 7,130 veterans in the Denver area, to be denied VA health care or to drop out of the VA system, while increasing costs for thousands more. Specifically:

- **The budget proposals would deny care to many veterans in the Denver area.** The President's budget would continue to freeze VA enrollment for "Priority 8" veterans, preventing an estimated 2,158 veterans in Colorado from enrolling to receive care. Locally, this provision would prevent an estimated 1,030 veterans from enrolling in VA facilities in the Denver area.
- **Increased fees would force thousands of veterans in the Denver area to drop out of the VA health care system.** An estimated 12,700 veterans in Colorado, including approximately 2,400 veterans in active treatment, are unlikely to be able to afford the increased costs for VA health care proposed in the budget, causing them to drop their enrollment in the VA system. Locally, the proposals would force approximately 6,100 veterans enrolled in VA facilities in the Denver area, including an estimated 1,160 active patients, to drop out of the VA health care system.
- **Many veterans in the Denver area would pay an additional \$350 or more each year for VA care.** Other veterans in the Denver area would remain in the VA system but be forced to pay more for their health care. The average cost for these veterans would be over \$350 annually. Some veterans in the Denver area could face new fees of \$550 or more.



## BACKGROUND

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The Department of Veterans Affairs runs the nation's largest health care system, providing care to almost five million veterans through a nationwide network of hospitals, nursing homes, and outpatient clinics. The VA serves as a critical health care resource for veterans in Colorado. In 2003, the VA provided care for an estimated 89,632 veterans in the state.<sup>1</sup> In the Denver area, veterans receive care at the major medical center in Denver and at smaller outpatient facilities in Aurora and Lakewood.

The Department of Veterans Affairs has had long-standing problems providing care for eligible veterans. Nationwide, there are almost 30,000 veterans who have either been placed on waiting lists or forced to wait for over six months in order to receive an appointment for necessary care.<sup>2</sup> These problems with providing care can be traced to the failure to provide adequate funding for the VA. In 1996, Congress passed the Veterans Health Care Reform Act, which expanded eligibility for VA care to all veterans. Since the legislation was passed, enrollment in VA health care facilities has increased by almost 250%, from 2.9 million in 1996 to 7.2 million in 2003.<sup>3</sup> Funding for the VA, however, increased at a much lower rate during this period, leading to shortages of capacity and long waiting times for many veterans.<sup>4</sup>

Under the 1996 legislation, the VA was required to establish several categories for enrollment, with the highest priority given to veterans who have service-related disabilities and low incomes. Two of these enrollment categories, Priority 7 and Priority 8, are most affected by President Bush's proposals. Priority 8 veterans are veterans who do not have service-related disabilities and who have incomes that exceed the Department of Housing and Urban Development's cutoff level for eligibility for public housing programs. This is a geographically-based income level, set at 80% of the median income level for a given community. Priority 7 veterans are those who do not have service-related disabilities and who have incomes that are below the HUD means test income, but above a VA-

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<sup>1</sup> Department of Veterans Affairs, *FY 2003 End of Year Enrollment Projection* (Mar. 2003).

<sup>2</sup> Memorandum from Department of Veterans Affairs (Feb. 2004).

<sup>3</sup> Department of Veterans Affairs, *VA Health Care: Systemwide Workload, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). Department of Veterans Affairs, *FY 2005 Budget Submission* (Feb. 2004).

<sup>4</sup> Department of Veterans Affairs, *VA Health Care: Systemwide Obligations, FY 1996–2001* (2002) (online at <http://www.va.gov/vetdata/ProgramStatics/index.htm>). Department of Veterans Affairs, *FY 2005 Budget Submission* (Feb. 2004).

established threshold of \$24,644 for a single veteran (\$29,576 for a veteran with a single dependent).

## **PRESIDENT BUSH'S VA BUDGET PROPOSALS**

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President Bush's budget fails to provide adequate funding for the Department of Veterans Affairs. The President's budget proposes outlays of \$28.3 billion on veterans health care in the next fiscal year. Although a nominal increase over the 2004 budget, this 2005 VA budget fails to keep up with increasing enrollment and medical inflation.<sup>6</sup> Leading veterans groups have described the budget as "woefully inadequate,"<sup>7</sup> and in testimony before Congress the Secretary of Veterans Affairs, Anthony Principi, indicated that the budget request contained a shortfall of \$1.2 billion.<sup>8</sup>

As a result of these budget shortfalls, President Bush's VA budget contains several provisions that would either restrict access to care for veterans or increase the cost of VA care for Priority 7 and Priority 8 veterans.

The first provision would continue to halt enrollment of new Priority 8 veterans, denying them access to any VA care.<sup>9</sup> Under this proposal, which continues a policy started in January 2003, all Priority 8 veterans who had enrolled in the VA system prior to January 17, 2003, would continue to receive care. But no new enrollments from Priority 8 veterans would be allowed.

The second provision would charge all Priority 7 and Priority 8 veterans who are in the VA system a \$250 annual enrollment fee in order to receive care.<sup>10</sup> This would represent a new policy for the VA, which to this date has never charged veterans an enrollment fee.

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<sup>6</sup> The President's FY 2005 budget outlay of \$28.3 billion for VA medical care represents an increase of 3.0%. Department of Veterans Affairs, *FY2005 Budget Submission: Medical Programs, Volume 2*, at 1-9. This funding fails to even keep up with medical inflation, which was 3.7% last year. Bureau of Labor Statistics, *Consumer Price Index: All Urban Consumers* (Jan. 2004). And the funding proposed by the President will be unable to pay for care for the estimated 6% increase in enrollment projected by VA in 2004.

<sup>7</sup> Paralyzed Veterans of America, *PVA Expresses Deep Concern over President's Budget Request for VA Health Care* (Feb. 2004).

<sup>8</sup> Congress Daily, *Budget: Bolton Does Not Reject Conservatives' Plan to Freeze Some Spending In FY05* (Feb. 5, 2004).

<sup>9</sup> *FY 2005 Budget Submission*, *supra* note 3, at 2A-5.

<sup>10</sup> *Id.*, at 2E-9.

Finally, a third set of provisions would increase prescription drug copayments for Priority 7 and Priority 8 veterans who are receiving VA care. The copayments for prescription drugs would more than double, increasing from \$7 to \$15 per 30-day prescription.<sup>11</sup>

## FINDINGS

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### Thousands of Veterans in the Denver Area Will Be Forced Out of VA Health Care

President Bush's proposal to increase the cost of VA care and restrict access will impact thousands of veterans in the Denver area. First, it will mean that veterans who otherwise would have received care will no longer be able to enroll in the VA system. According to data from the Department of Veterans Affairs, the suspension of enrollment of Priority 8 veterans will deny care to an estimated 173,000 veterans nationwide annually.<sup>12</sup> Of these 173,000 veterans who will be denied care, an estimated 2,158 reside in Colorado.<sup>13</sup> This includes an estimated 1,030 Priority 8 veterans who would have enrolled at VA facilities in the Denver area.<sup>11</sup>

In addition, many more veterans will lose access to care because of the new requirement that they pay an additional annual enrollment fee of \$250. The VA estimates that the new fee will force an estimated 53% of enrolled Priority 7 and 8 veterans — over half — to drop out of the VA system.<sup>14</sup> Overall, the VA estimates that 1.1 million enrolled veterans in the United States, including 210,000 active patients, will be forced out of the VA health care system care because of the increased costs.<sup>15</sup>

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<sup>11</sup> *Id.*, at 2E-10.

<sup>12</sup> Department of Veterans Affairs, *Impact of Suspending Enrollment of Priority 8 Veterans by State for FY 2003* (2003).

<sup>13</sup> *Id.*

<sup>11</sup> VA data indicate that approximately 48% of Priority 7 and Priority 8 veterans in Colorado received care at VA facilities in the Denver area. Department of Veterans Affairs, *VHA Priority 7 Patients: Fiscal Year 2002* (Feb. 2003). Prior to FY 2003, there were no Priority 8 veterans; all veterans now classified as Priority 8 veterans were instead placed in the Priority 7 category.

<sup>14</sup> *FY 2005 Budget Submission*, *supra* note 3.

<sup>15</sup> At any given time, not all enrolled veterans are actively receiving care from the VA. The VA estimates that approximately half of all enrolled Priority 7 and Priority 8 veterans are active patients, and that 19% of all Priority 7 and Priority 8 veterans who will drop enrollment because of increased fees are active patients. *Id.*



Thousands of these veterans will be Colorado residents. Presently, there are an estimated 7,936 Priority 7 veterans and an estimated 16,011 Priority 8 veterans enrolled in the VA health care system in Colorado.<sup>16</sup> If 53% of these veterans are forced to drop out of the VA system, an estimated 12,700 enrolled Colorado veterans will no longer have access to VA care. This includes approximately 2,400 Colorado veterans who are active patients.<sup>17</sup>

Many of these veterans would receive care at VA facilities in the Denver area. Locally, an estimated 6,100 veterans enrolled at VA facilities in the Denver area would be forced to drop VA enrollment due to the new fees. This includes approximately 1,160 veterans who are active patients.

Overall, including veterans who are precluded from signing up for VA care and veterans who will be forced to drop out of the VA system because of the increased fees, an estimated 14,900 Colorado veterans, including an estimated 7,130 veterans in the Denver area, will lose access to the VA health care system.

### **Veterans in the Denver Area Who Continue To Receive VA Care Will Pay Hundreds of Dollars Annually in Increased Costs**

For thousands of veterans in Colorado who do stay enrolled in the VA program, there will be significant new costs. Not only will Priority 7 and Priority 8 veterans be forced to pay the annual \$250 enrollment fee, but they will also have to pay increased copays for prescription drug fees. Nationally, the increased copays are anticipated to cost veterans in the program an average of \$135 annually.<sup>18</sup> Overall, between the increased copays and the \$250 annual enrollment fee, Priority 7 and Priority 8 veterans who remain in the VA health care program will pay a total average increase of \$385 annually.

Many veterans will pay even more. A November 2002 report by the General Accounting Office found that among Priority 7 veterans who use VA outpatient prescription drug services, the average veteran uses 38 monthly prescriptions per year.<sup>19</sup> A Priority 7 veteran who fills this many prescriptions will pay an

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<sup>16</sup> *FY 2003 End of Year Enrollment Projection, supra* note 1.

<sup>17</sup> *See* note 11.

<sup>18</sup> The VA estimates that the increased copays will impact approximately one million veterans and that the VA will collect approximately \$135 million in copays from these veterans. *FY 2005 Budget Submission, supra* note 3, at 2E-10.

<sup>19</sup> General Accounting Office, *VA Health Care: Expanded Eligibility Has Increased Outpatient Pharmacy Use and Expenditures* (Nov. 2002).

additional \$304 annually just for prescription drugs, plus the \$250 annual enrollment fee. Total increased costs for these veterans would be over \$550 annually.

Statewide, if the President's proposal does go into effect, an estimated 11,300 Priority 7 and Priority 8 veterans in Colorado are likely to remain in the VA health care system in the state. These veterans will pay an estimated \$4.4 million annually in increased costs for VA care. Approximately 5,400 Priority 7 and Priority 8 veterans enrolled at VA healthcare facilities in the Denver area are likely to remain in the VA health care system. These veterans will pay an estimated \$2.1 million annually in increased costs for VA care.

## CONCLUSION

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This report analyzes the impact of President Bush's proposed budget on VA health care in the Denver area. The budget proposes restricting access to care for many veterans and increasing the cost of care for others. These proposals would deny care to an estimated 2,158 veterans in the state and force an additional 12,700 enrolled Colorado veterans, including approximately 2,400 active patients, to drop out of the VA health care system. Locally, the proposals would deny care to approximately 1,030 veterans at VA facilities in the Denver area and force over 6,100 veterans enrolled at VA facilities in the Denver area, including over 1,160 active patients, to drop out of the VA health care system. The proposals would also increase the cost of health care for many veterans who remain in the program by an average of \$385 annually and would cost many veterans over \$550 or more annually.

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